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## Interaction between Senate Bill 837 and Proposition 98

Senate Bill 837 (Steinberg), the Kindergarten Readiness Act of 2014, makes one year of voluntary, high quality transitional kindergarten available to every 4 year old in California, so that all children are ready for success in school.

Based on a fiscal analysis by the California Department of Education, state expenditure on the program would be an additional \$1.46 billion in the 2019-20 school year, after a five year phase in.

### Proposition 98 Interactions

Proposition 98 established a formula for setting a minimum annual funding level for K-12 schools and community colleges. Generally, Prop. 98 will provide K-14 schools with a guaranteed funding source that grows each year with the economy and the number of students enrolled in public schools. The guaranteed funding is provided through a combination of state General Fund and local property tax revenues.

According to a fiscal analysis of SB 837 by the non-partisan Legislative Analyst's Office (LAO), and based on the most recent LAO forecast for state revenue growth, SB 837 would not take funds from existing education programs under Prop. 98. LAO has also calculated that this increase in the Prop. 98 guarantee would be more than sufficient to fund the costs of the additional TK students served by school districts as a result of SB 837.

The new TK enrollments would drive increases in the Prop. 98 minimum funding guarantee by about \$2.2 billion at full implementation in 2019-20. *In other words, Prop. 98 funding for schools would be an estimated \$2.2 billion higher with SB 837 than it would be without it.*

LAO forecasts that starting in 2015-16 (year 1 of SB 837 implementation) and extending through full implementation in 2019-20, Prop. 98 will be in either "test 2" or "test 3" for the purposes of calculating the size of the minimum school funding guarantee. In both of these "tests", enrollment is an important factor in determining the amount of funds obligated to schools under the guarantee.

Individual school districts will have differing local enrollment trends, with some experiencing enrollment dips and others increases. For those in declining enrollment situations, SB 837 could soften or eliminate declining enrollment in future years.

There is always a possibility that the economy could take a turn for the worse, in which case the entire state budget suffers. But even if this were to occur, the Prop. 98 minimum funding guarantee would still likely be higher with SB 837 than without it. The Legislature and Governor are engaged in serious discussion about establishing rainy day funds to act as an important buffer during future downturns.